

Message Text

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TAGS: EGEN ENRG, VE

SUBJECT: VENEZUELAN-AMERICAN PETROLEUM RELATIONS: SIDE COMMENT

RE VISIT OF GOVERNOR OF MISSISSIPPI

REF: A. CARACAS 6400; B. CARACAS 6525

1. IN A GENERAL WAY I HAVE INFORMED PRESIDENT DOLPH OF CROELE AND PRESIDENT RAMSEY OF MENE GRANDE OF MY CONVERSATIONS WITH PRESIDENT CARLOS ANDRES PEREZ JULY 15 AND THE RATHER OPTIMISTIC IMPRESSION GIVEN BY FOREIGN MINISTER SCHACHT TODAY, AS REPORTED REF B. THESE OIL COMPANY CHIEFS WHILE STILL APPREHENSIVE ARE INCLINED TO SHARE MY FEELING OF "MODERATE OPTIMISM" EVEN THOUGH THEY WOULD NOT GO AS FAR AS THE FOREIGN MINISTER IN SAYING HE WAS VERY OPTIMISTIC. MEANWHILE, THE COMPANIES ARE PUMPING OIL AND NO ONE HAS YET BEEN HURT. BOTH DOLPH AND RAMSEY AGREE WITH THE PRESIDENT'S TIMETABLE THAT IT WILL NOT BE POSSIBLE TO REACH DETAILED SETTLEMENTS IN THE CURRENT CALENDAR YEAR BUT THAT DEFINITIVE ARRANGEMENTS MUST BE MADE IN 1975 BEFORE THE VENEZUELAN PRESIDENTIAL POLITICAL CYCLE RECOMMENCES.

2. FOR A WHILE THE OIL COMPANIES WERE FEARFUL THAT PRESIDENT PEREZ WOULD APPOINT "INTERVENTORES" TO SIT ON THE BOARD
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OF DIRECTORS OF THE FOREIGN OIL COMPANIES. HOWEVER, HE HAS

APPARENTLY RESISTED THIS SUGGESTION. AS A MATTER OF FACT, WHEN THE PRESIDENT MENTIONED THIS TO ME LAST SATURDAY, I SAID THAT ON THE PERNICIOUS ARGENTINE ADDICION TO "INTERVENTORES" HAD DONE NOTHING BUT HARM TO ARGENTINA.

3. ACCORDING TO BOTH DOLPH AND RAMSEY, A COMPROMISE APPARENTLY IS IN THE WORKS WHEREBY THE VENEZUELAN GOVERNMENT WOULD APPOINT "OBSERVADORES" FOR EACH OF THE MAJOR FOREIGN OIL COMPANIES. IN THE CASE OF CREOLE THIS WOULD BE THE HIGHLY INTELLIGENT AND EXPERIENCED FORMER HEAD OF THE CORPORACION VENEZOLANA DE GUAYANA, GENERAL ALFONZO RAVARD. IN THE CASE OF GULF, IT WOULD BE A FORMER VENEZUELAN DIRECTOR OF THE VENEZUELAN SHELL OIL COMPANY, WITH WHOM RAMSEY THINKS IN A PINCH HE MIGHT GET ALONG. SO FAR AS CREOLE IS CONCERNED, DOLPH WOULD RATHER HAVE THE INTELLIGENT ALFONZO RAVARD THAN SOMEONE OUT TO MAKE A POLITICAL CAREER OF SUCH AN APPOINTMENT. I ALSO SUGGESTED TO DOLPH THAT SINCE ALFONZO RAVARD FOR MANY YEARS HAS HAD HIS FEET IN BOTH CAMPS--ADECO AND COPEYANO, BUT PARTICULARLY THE LATTER PARTY--HE MIGHT PROVE TO BE FAIRLY USEFUL POINT OF CONTACT AS THE CONVERSATIONS GET CLOSER TO THE MAIN POINT.

4. SINCE PEREZ GUERRERO IS OUT OF THE COUNTRY, CONVERSATIONS BETWEEN THE OIL COMPANIES AND THE GOVERNMENT WILL OF NECESSITY AWAIT HIS RETURN. AS INDICATED REF A, PRESIDENT PEREZ TOLD ME THAT HE WOULD SEE THAT THE SMALLER AMERICAN OIL COMPANIES WERE BROUGHT INTO THESE CONVERSATIONS.

5. MEANWHILE, A NEW ELEMENT HAS AT LEAST TEMPORARILY ENTERED THE PICTURE IN THE STATEMENT BY THE GOVERNOR OF MISSISSIPPI, MR. WILLIAM WALLER, TO THE PRESS FOLLOWING HIS AUDIENCE WITH PRESIDENT PEREZ THAT THE STATE OF MISSISSIPPI WOULD BE WILLING TO ENTER INTO A JOINT VENTURE WITH THE GOVERNMENT OF VENEZUELA FOR THE CONSTRUCTION OF A NEW DEEP WATER REFINERY ON THE MISSISSIPPI COAST WHICH WOULD IMPORT CRUDE DIRECTLY FROM VENEZUELA AND DIVIDE THE PROFITS FROM THE PRODUCTS OF THE REFINERY WITH GOV AS A CO-OWNER. PRESUMABLY THE GOVERNOR HAS IN MIND UTILIZING VENEZUELAN CAPITAL TO BUILD THE REFINERY AND ALSO TO EXCHANGE AGRICULTURAL AND MANUFACTURED PRODUCTS OF MISSISSIPPI TO VENEZUELA AS BARTER PAYMENT FOR VENEZUELAN OIL. THIS SUGGESTION OF THE MISSISSIPPI GOVERNOR WILL PROBABLY RECEIVE WIDE AND WELCOMING SUPPORT IN VENEZUELA, AND IT WAS OBVIOUS TO ME WHEN I TOOK THE CONFIDENTIAL

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GOVERNOR TO CALL ON THE PRESIDENT THIS MORNING THAT HE WAS DELIGHTED WITH THE SUDGGESTION. HOWEVER, WHEN I INVITED THE GOVERNOR AND HIS PARTY FORLUNCH TODAY, I SAID THAT THEY SHOULD KEEP IN MIND THAT CVP IS NOT A LARGE PRODUCER OF OIL AND THAT HE SHOULD TAKE A CLOSE LOOK AT HIS SOURCES OF SUPPLY BEFORE LAUNCHING UPON AN EXTENSIVE VENTURE. AT THE SAME TIME, I ADDED THAT WITH PRESIDENT PEREZ'SNATIONALISTIC PROGRAM FOR PERTOLEUM

IT SHOULD NOT PROVE TOO DIFFICULT FOR HIM TO FIND OIL TO SEND
TO A JOINTVENTURE REFINERY IN MISSISSIPPI.
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